

Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 COME-00 EB-03 L-02 NSC-10 NSCE-00

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C O N F I D E N T I A L MANILA 1948

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E.O. 11652: GDS

TAGS: EGEN, RP, US

SUBJECT: LAUREL-LANGELY NEGOTIATIONS

REF: A. MANILA 1791

B. MANILA 1680

C. STATE 228029 11/19/73

1. I SPOKE BRIEFLY WITH PRESIDENT MARCOS LAST NIGHT TOUCHING ON CONCERNS ABOUT PRESENT STATE OF L-L TALKS AS REFLECTED REFTELS. HE INDICATED THAT HE HOPED TO ARRANGE AN EXTENDED TALK WITH ME ONCE SPANISH CROWN PRINCE DEPARTS. CABINET LEVEL DELIBERATIONS AND THE FACT THAT MARCOS HAS DONE HIS HOMEWORK IN GREAT DEPTH SUGGEST THAT OUR DISCUSSIONS MAY BECOME QUITE DETAILED. IN THIS REGARD, THE FOLLOWING POINTS HAVE ARISEN IN RECENT TALKS WITH VIRATA, PATERNO AND MELCHOR:

A. SUGAR: IS IT POSSIBLE TO INCREASE PHIL ACCESS VIA WEST COAST? THIS AS EXPLAINED BY MELCHOR WOULD HAVE GREATEST EFFECT ON GENERAL PROFITABILITY OF PHIL EXPORTS BECAUSE OF SIGNIFICANT TRANSPORT SAVINGS. IT WOULD ALSO IMPROVE THE ATTRACTIVENESS OF U.S. MARKET VIS-A-VIS

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JAPAN IN FUTURE COMPETITION FOR PHIL SUGAR EXPORTS WHICH WILL CERTAINLY BE FACTOR IF MARKETS REMAIN TIGHT.

WOULD THERE BE ENOUGH SUGAR INVOLVED IN THIS INCREASE OF
PHIL ACCESS TO WEST COAST TO BE OF MUTUAL INTERESTB

B. DUTY RATE ADJUSTMENTS; IN TALKS WITH UNDER
SECRETARY CASEY IN WASHINGTON JULY 31, 1973 (DEPT MEMCON)
AND AT NAIROBI IN SEPTEMBER (REF C), FINANCE SECRETARY
VIRATA INQUIRED WHAT PROSPECTS EXISTED FOR TARIFF
ADJUSTMENTS TO (A) EQUATE COCONUT OIL WITH PALM OIL;
(B) ALIGN DUTY RATE ON ABACA WITH OTHER HARD FIBERS;
AND (C) REDUCE DUTY ON PHILIPPINE MAHOGANY PLYWOOD TO
MATCH RATES CHARGED FOR OTHER TYPES. HE WAS LED TO
BELIEVE AT THE TIME (AS HE REPORTED ON HIS TALK) THAT
SUCH CHANGES DID NOT, RPT NOT, DEPEND ON TRADE BILL AND
THAT THERE WAS A GOOD CHANCE THEY WOULD BE MADE IN
CONTEXT OF GATT MTN TALKS. INQUIRY RECENTLY RENEWED BY
MELCHOR, AND WE BELIEVE PHILS PLACE CONSIDERABLE VALUE
ON THESE ADJUSTMENTS, POSSIBLY CONSIDERING THEM OF
GREATER AND/OR MORE IMMEDIATE BENEFIT THAN GSP. ALTHOUGH
RECORD WE HAVE OF VIRATA/CASEY EXCHANGES IS NOT CLEAR, WE
ASSUME THE ADJUSTMENTS SET FORTH ABOVE CAN BE MADE
WITHOUT NEW AUTHORITY. IS IT POSSIBLE TO USE THEM AS
PART OF A BILATERAL SETTLEMENT, PERHAPS WITH SUITABLE
REFERENCES TO GATT?

C. DOUBLE TAXATION: VIRATA EXPRESSES AN INTEREST IN
REVISING DOUBLE TAXATION TREATY TO BROADEN COVERAGE TO
INCLUDE CORPORATE TAXES. IS IT WORTHWHILE TO CONSIDER
THIS? WOULD IT INVOLVE RETURN TO U.S. SENATE? ARE
THERE BETTER ALTERNATIVES, E.G., IN AER CONTEXT?

2. WHILE WE MAY NOT BECOME IMMEDIATELY INVOLVED IN

DETAILED NEGOTIATIONS, IT WOULD BE VERY HELPFUL TO HAVE
IMMEDIATELY ANSWERS ON PROSPECTS FOR TARIFF ADJUSTMENTS
GOP HAS REQUESTED AS WELL AS ANY THOUGHTS DEPARTMENT
MIGHT HAVE ON ABOVE SUGAR OR DOUBLE TAXATION PROPOSALS.

3. I HAVE JUST SEEN SPENCER DAVIS' AP ITEM ON KATZ
TESTIMONY BEFORE HOUSE AGRICULTURE COMMITTEE. KATZ
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COMMENT ON STATE OF LAUREL-LANGLEY NEGOTIATIONS WE FIND
JUST ABOUT RIGHT, AND HOPE IT WILL BE POSSIBLE TO AVOID
GOING BEYOND IT. WE HAVE DISCUSSED ITEM WITH KEY
CABINET OFFICERS TO HEAD OFF ANY POSSIBLE CONCERN THAT
U.S. MAY BE DECIDING TO DEBATE LAUREL-LANGLEY ISSUES
IN PUBLIC.
SULLIVAN

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